

# Financial Record Keeping

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The receipt of grant funds as revenue, and expenditures--whether of grant funds, in-kind, or match,--need a verifiable paper-trail to support them. All grant agreements contain what is called an “audit” clause, which says—in similar words to these—that grant recipients are responsible to “maintain records relating to the receipt and expenditure of grant funds,” and that documentation of those receipts and expenditures “may be examined” by BWSR at any time and “are subject to verification.” To responsibly manage a BWSR grant, grant recipients must be able to document the receipt of revenue and expenditures on staff time, contractors, and other costs. They must also know what is and is not an “allowable” cost to be charged to a BWSR grant.

## Record Keeping for Revenue

To document the receipt of revenue from BWSR, the records that need to be kept are:

- The line item from the financial system showing the electronic transfer of grant funds from the state; and a bank statement showing the deposit of grant funds there. The amount documented can be a total (all block grant funds listed together on a grant agreement), or divided according to grant.
- The Treasurer’s Report to the LGU’s Board that shows the grant funds received from BWSR being recorded in the financial system, or some other evidence that the Board or governing body has overseen and verifies that the grant recipient has received those funds.
- Records documenting the LGU’s local match contribution for each NRBG, Conservation Program and Operations Grant (CPOG), and competitive grant received.
  - Note: for most programs that BWSR funds, the match can be an in-kind contribution of employee time.
  - The required local match for the Local Water Management program, however, must be a dedicated levy, or some kind of cash or cash equivalent, and must be documented in financial records as such.
  - If a line item in the financial system does not identify the required match, other evidence may suffice, such as a financial statement or balance sheet. Often the most conclusive evidence that a government is meeting its match requirement is a Board action that commits the funds.
- Records of the transfer of funds between grant recipients, such as receipts of WCA payments from a County to an SWCD.

## Record Keeping for Expenditures on Programs

To recall, allowable costs (costs that can be charged to BWSR grants) include but are not limited to:

- Staff Time,
- Contractors,
- Direct Costs, and
- Administrative Costs.

To document the costs of employees or staff time, the records that need to be kept are:

- Employee's name
- Position title and description (PD). (During a grant verification visit, position descriptions of each employee charging time to the grant will be collected.)
- Rate of pay/hour (see "Determining a Billing Rate"). (During a verification visit, a sample paystub from each employee charging time to the grant will be collected, to verify this rate of pay/hour.)
- Time worked on the grant, identified by fiscal year of the grant
- Documentation that connects the time contributed (or hours worked) to the BWSR grant. This may be:
  - A record from the financial system that shows the employee being paid out of the grant.
  - A summary of timesheets with the grant identified.

To clarify: during a grant reconciliation or verification visit, the grant recipient's method of tracking the staff time that is charged to the grant will be examined. Evidence must be collected that the staff time of the employees that are charged to the grant were actually paid out of that grant. That may be a payroll report, itemized by fund, from an Integrated Financial System, or a summary payroll report from QuickBooks. (The report may include other items that are charged to the grant besides staff time.) If a system exists to track the time that employees charge to the grant (see "Time Tracking," immediately below), ideally a spreadsheet would be provided that summarizes the time contributed by each employee, itemized by grant (see "Examples").

To document the costs of contractors, other direct costs, and administrative costs, receipts need to be kept. Receipts should be itemized, so that the reasonableness of the expense, as compared with the amount paid for similar government work in other programs, can be evaluated. Receipts will be collected for the work that outside contractors do, and, if other direct costs and/or administrative costs appear to be excessive when compared to those of other local governments, a sample of these financial records may be taken to verify them, during a grant verification visit. To verify administrative costs,

- an itemized "budget to actuals" annual financial report

will also be collected. Administrative costs that are not allocable to the grant, or that are based upon a percentage times the total budget amount, are not allowable, and will be excluded from the reconciliation process.

## **Record Keeping for Expenditures on Projects**

To document spending on a practice or project, the records that need to be kept are:

- The contract that pays a land occupier or project holder, in whole or in part, to implement a conservation practice with state funds.
- The Cost-Share Voucher and Practice Certification Form, or other allocation voucher, that documents what the land occupier or project holder paid for the practice versus what the grant recipient contributed to it (with BWSR funds); certifies that the land occupier or project owner agrees with the costs; and records the technical approval of the practice.
- Invoices from the contractor.
  - If the practice or project was provided by the grant recipient rather than a contractor (that is, if the grant recipient dealt with the land occupier directly, without a contract), an invoice from the land occupier to the grant recipient will be collected.

- Minutes from Board or other governing body meetings that record decisions to charge or contribute to the grant, such as match, approvals/encumbrances, and expenditures.
- Proof of payment—such as photocopies of checks—of grant funds from the grant recipient to the land occupier or project holder.
  - If the grant recipient pays the contractor directly, proof of payment from the grant recipient to the contractor will be collected.
- Other records of cash flows pertaining to the recipient's grants, such as Cost-Share or competitive grant Program Logs that show: Contract Number, Date, Name (of land occupier or project), Original Contract Amount, Actual Amount Spent, Total Project Funds Encumbered, Balance Remaining To Encumber, and the amount contributed in match.
- Program Logs should also show the division between funds used for practices or projects and funds encumbered for technical and administrative (T/A) costs.
- For projects with a training component, documentation such as: the course name, description, facilitator or teacher, date, and location.

## **Invoices in Project Files**

BWSR grants are typically advance payment grants, meaning that the grant recipient will receive funds to implement practices based on a work plan, before contracts with individual land occupiers are signed. At the time of verification, therefore, what will likely exist in the grant file is an invoice from the contractor--passed on from the land occupier—rather than a receipt. This is sufficient for verification, provided that the invoices are supplemented by a voucher that documents what the land occupier or project holder actually paid for the practice.